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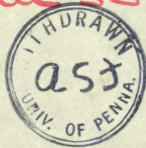
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IS COMMERCE WAR?

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IS COMMERCE WAR?

When Cobden and his followers in 1846 achieved the repeal of the corn laws, and thereby insured the triumph of free trade in Great Britain, they looked forward to the early attainment of universal peace. The evident advantages of free trade, they thought, would insure its general adoption, and commerce would soon unite all the peoples in bonds of economic interdependence so firm that war would become impossible. The Manchester men consistently urged the utmost freedom of competition both within and without the state. Their idea of the harmony of interests applied to nations no less than to individuals. Free trade, internal harmony, international peace—such was their dream.

Sharply opposed was the thought of Karl Marx and his followers. To the socialist, competition introduced antagonism at the very center of social organization, the point where wealth was produced. Therefore the internal relations of states were class struggles, and international relations meant simply war between masters. Competition, internecine strife, international war—such was the social doctrine.

Both these views, so entirely opposed to each other, were essentially cosmopolitan, universal in their basis and application. Today most thoughtful persons decline to accept either idea in its entirety. They recognize that each pictures one aspect of our existing order, and they try to resolve this dualism as best they can. One such effort, of profound interest to the world at present, is that neo-mercantilism which asserts, broadly speaking, the beneficence of domestic competition and the maleficence of foreign. The peculiar danger of the cult lies in its anachronistic nationalism, its worship of false gods in the form of rival national entities necessarily antagonistic to one another, its tendency to distract attention



from those problems of internal organization on whose solution so largely depends the possibility of future social peace and consequent international goodwill. The ripe fruits of this fatal doctrine are being harvested today on the bloody plains of Flanders and Poland, in the passes of the Carnic Alps, on the heights sloping down to the Dardanelles.

The neo-mercantilist view harks back to the old concept of nations as economic no less than political or social units. It assumes and seeks consciously to cultivate an identity of economic interests among all the people and classes of a nation as against those outside, contradicting alike the Manchester doctrine of harmony and the socialist doctrine of class struggle. It expresses itself in protective tariffs, exclusive colonial policies, the mad race of military and naval armament—all those means by which one nation seeks to build itself up at the cost of another. It asserts that international competition in all its manifestations is essentially a contest between nations, not individuals, and maintains that one nation can rise only on the ruins of another. It declares this international competition inevitable, basing its argument on history, economics and philosophy alike. Postulating, therefore, the necessity of national survival, it leads directly to the duty of asserting national might—not only military, but economic, political, social, cultural. “The strong shall inherit the earth”—only it is not the strong individual, but the strong nation.

The implications of such a doctrine are clear. It means that under whatever smooth phrases we cover up the facts, all international relations mean war, grim struggle against others for existence. In this view, every act of national development is in essence war. Growth of population, expansion of productive capacity, foreign commerce, improved social organization, with consequent internal strength and cohesiveness—all alike are in reality acts of war on rival nations. The whole organization and activity of state and people must accordingly be directed to greater effectiveness in the inter-

national struggle, for such is the condition of national survival. Is the idea true? We may not like its implications, but we must either disprove the doctrine or accept its consequences. Let us test the notion in its economic aspect, which in this case is fundamental.

At the outset an important admission must be made. Historically, armed strength seems to have been the condition of national survival. In the pre-machine age the world was poor; such wealth as there was existed largely in the form of land and its products; slavery made profitable the conquest of rich territories and the subjugation of their peoples. Population growth was an almost inevitable stimulus to conquest, military aggression was the quick road to wealth, "preparedness" the price of independent national existence. War and commerce were almost inextricably blended. Foreign trade in those days was always backed by force or the threat of force. It was, indeed, plunder where possible, browbeating and overreaching where strength was more equally matched. It easily passed over into actual war where that promised more profit. Commerce in good part was war; for, in a world of poverty, wealth was the condition of population; population of power, power of territory, and territory again of wealth. So much at least must be conceded.

But the machine and steam transportation have wrought a profound change. They have made it possible for growing peoples to live and prosper without plunder; they have made profitable the peaceful exchange of commodities on a world-wide scale. The plunder of one people by another in trade has all but disappeared; and, however unequally the advantages are divided, the mutuality of gain in honest, peaceful commerce has come to be almost universally recognized. Reciprocal trade means access of wealth to both nations. If the United States imports coffee and crude rubber from Brazil, and exports in return mineral oil and steel rails and sewing machines, no one questions that both nations gain in the enhanced comfort and convenience of living of their citizens.

Under the newer economic and political conditions, commerce pays better than conquest, broadly speaking. Commerce as a reciprocal activity has become in essence almost wholly peaceful, nay pacifist, as Cobden foresaw. Opium wars are no longer common. Rarely does a civilized nation now think it worth while to make war on a savage people in order to force open their market. It builds a railroad instead. The peoples that differ in natural resources and industrial development are being bound closer and closer in bonds of mutual interdependence by a commerce peaceful and mutually profitable.

Quite true, replies our neo-mercantilist theorizer; but it means a change only in the form, not in the essence of the endless struggle. For England to sell Brazil cotton cloth in exchange for rubber means mutual gain; but when German cloth begins displacing British in the Brazilian market, then we see the modern form of the ceaseless contest. The competition of manufacturing states for markets and for fields of investment, he maintains, is a struggle for existence. On its success in this competition depends a country's ability to feed and employ its people, to maintain and increase its population, wealth, prestige and power. This struggle, he holds, is war, none the less real because bloodless. Defeat means national inferiority, decline and subjection. Woe to the conquered! Our theorist appeals to our very terminology to show the reality of the strife. What do we mean by foreign selling "campaigns," the "strategy" of trade, the "invasion" of the markets of our rivals and the "capture" of "neutral" ones? Is it all a mere figure of speech, or is there reality behind it? A new and more terrible Malthus stalks across the page, no longer binding down the whole mass of the people in misery, but obliging the stronger peoples forever to trample on and starve out the weaker, as the sole condition of their own survival in an overcrowded world. This, says our neo-mercantilist, is the meaning of the modern struggle for markets. The nation that shrinks from the struggle is recreant to its own citizens, to humanity. Is this view economically sound?

Our inveterate habit of objectifying nations is likely to lead us astray at the very beginning. We say that Great Britain owns American railway securities, or that the United States is competing with Germany and England for the trade of South America. Such talk is economically a pure figure of speech. Nations do not carry on foreign trade; they tax it. International trade, exactly like domestic, is carried on by private individuals at private risk for private gain. Governments have indeed turned a specially ready ear to the cry of their subjects who have got into trouble abroad, especially if "abroad" happened to be a weak power. But that does not make an Englishman's private business in Guatemala, any more than his private business in London, directly an affair of Great Britain.

What actually happens in international competition is this. Certain manufacturers resident in Pittsburgh compete with others resident in Birmingham, England, to sell planing machines, for example, to certain persons resident in Buenos Aires. Economically the nationality or even the location of the persons concerned is comparatively indifferent. The competition is nowise different from that between rival manufacturers in Pittsburgh and Chicago to sell planing machines to lumbermen in Michigan. The economists have indeed obfuscated the matter in their efforts to elucidate it, and the plain citizen has concluded that foreign trade is like a conjurer's hat, out of which almost any marvel can be drawn according to the skill and inclination of the performer. But in plain truth it is no mystery. Foreign competition works like domestic, and its results are not essentially different, if it be met by economic and not political means, and if we are interested in economic results rather than political.

The Pittsburgh manufacturer, let us say, loses to the Birmingham producer in the competition for the Buenos Aires market; he seeks a new market elsewhere. Perhaps ultimately he loses all his markets. His factory is shut down or turned to some other use; he has largely lost his capital. His em-

ployees are out of work and must find new openings; their loss is unquestionable. Local business and real estate values also suffer. Substitute Michigan for Buenos Aires, Chicago for Birmingham, and the description applies word for word to domestic competition.

The next step, however, appears different. In the one case, the next machine shop is built in Chicago; in the other, in Birmingham. It offers an opening to American capital and labor in the one case, to British in the other. But if American labor and capital are available, and the machine shop goes to Birmingham, Chicago gets a new grain elevator, or a furniture factory, or a pork-packing plant. ✓ The notion that labor and capital may lie permanently idle in consequence of foreign competition is undoubtedly due in part to the coincident facts of unemployment and low rates for money in dull times, more largely to failure to realize the enormously dynamic character of modern industrial life, the unceasing readjustment requisite to maintain a healthy and progressive economic condition. To-day America has the packing plant and England the machine shop; tomorrow Argentina builds the packing plant, America the machine shop, England a new shipyard or aeroplane factory. It is the law of life, not death, and that man who would in any measure stereotype the industries of his country by permanently shielding them from foreign competition is no friend to his countrymen's prosperity. ✓ Foreign competition that perpetually drives the labor and capital of a country into more productive channels—and it never drives them into less productive ones—means more wealth, and not less. Is increase of wealth war? /

But, it is urged, such competition may drive capital and labor abroad. Witness the golden tide of investment steadily flowing out from Great Britain, a hundred, a hundred and fifty, even two hundred million pounds in a single year, building railroads in Africa and China, factories in India and Canada, electric power plants in Mexico and New Zealand, everywhere building up industrial rivals to the little island at

the gate of the seas, driving to the colonies and to foreign lands her children, who otherwise must sit idly at home. Remorselessly, inevitably the competition of America and Germany, we are told, drives on; even yet the process is but in its early stages. The unprofitableness of Britain's industries will steadily increase, the exportation of her capital continue, the starving out of her people go forward, and the island kingdom will topple to its fall. For commerce is war, and woe to the conquered! Thus runs the tale, and one word more is added for our edification. Even the dull Briton has at last sensed the impending doom. In an access of fury the lion has sprung at the throat of his enemy across the North Sea. Rather the short, sharp pang of mortal combat than the long agony of slow starvation. It is a pretty picture, and it is the final argument of the neo-mercantilist.

Now compare the facts with the picture. And remember that the facts of the British situation are the most favorable to the neo-mercantilist contention of all that could possibly be adduced. For Great Britain, in consequence of peculiar circumstances, not because of special intelligence or morality, adopted free trade in the middle of the nineteenth century, and has faithfully adhered to it ever since, with the consequence that her producers have steadily felt the full force of foreign competition, not only abroad, but at home. In 1846 Great Britain was already the world's first manufacturing nation. At the world crisis of 1873, one of the real turning points of modern economic history, her position as the workshop of the world was unchallenged. From that day to this she has fought a steadily losing battle, to drop into the familiar terminology. American natural resources, inventiveness, "knack," and organizing ability, German science, thoroughness, organization, and commercial adaptability, have brought on British manufacturers forty years of continually intensifying foreign competition, have meant loss of some markets and limitation of others, have caused practical destruction of some industries and branches of industries, and decline of others.

Moreover, the British producer, "undefended" because his government would not use the "weapon" of "reprisals," has "fought" this losing "fight" in the face of a wall of "hostile" tariffs designed to shut him out from a large number of the richest markets of the world. Today Great Britain occupies a decidedly less important place, relatively speaking, as the world's workshop, than she did forty years ago. Here if anywhere, then, shall we find a people suffering from the consequences of industrial warfare; here we shall find a nation sinking down in slow decay, for she is unquestionably the loser in this commercial "war."

But what are the facts? In the four decades since her record year of 1872, Great Britain has steadily and rapidly progressed in population, wealth, manufactures, commerce and shipping, savings, domestic capital and foreign investment. Only her agriculture has gone backward. That is due not wholly, though largely, to foreign competition; but partly it is owing to internal causes now at last in process of removal. Even so, with the black smoke of Britain's steamers trailing all the seven seas, with half the world's carrying trade in her hands, her people are among the best-fed in the world, her materials come to her with unfailing regularity. Irrefutable statistical evidence of British economic progress can be and has been produced in abundance. What, then, of the jeremiads we have read concerning the decline of Great Britain's exports of quill toothpicks, the destruction of her glass door-knob industry, the failure of her trade in silk embroidered bed-slippers? What of the tariff reformers' oft-repeated cry that this or that branch of her great staple trades is going into galloping consumption? Some of the statements are false; others are true—and absolutely irrelevant. The decline of this or that industry or branch of industry is perfectly compatible with steadily increasing prosperity of the people as a whole, as the experience of Great Britain and other countries has abundantly demonstrated.

Despite all statements to the contrary, Great Britain at the outbreak of the war stood on a pinnacle of prosperity never

previously attained in her history. Of all considerable countries in the world she possessed the densest population. They were living on a plane of comfort which they had never reached before, and which is equaled at present by very few peoples. The distribution of the country's great wealth was execrably bad, and important modifications of that distribution were in their inception. Great schemes of social amelioration were under way. The physical condition of the people was beginning a process of improvement. Education was being more widely extended. An actively democratic political and social life, with all its perils and possibilities, was slowly coming into existence. If these be the consequences of war to the conquered, well may Great Britain pray for more such defeats!

It is not contended, of course, that the situation of Great Britain is ideal; it is not contended that she is better or worse off than this or that other country. It is not even contended that competition is the most desirable scheme of industrial organization; the whole competitive system of business may be wrong, as the socialist maintains, without invalidating the argument. What is contended is this: Great Britain, by general consent relatively worsted in the international competition of the past forty years, has made marvellous economic and social progress during that period, and that progress has been due to activities carried on in face of the utmost stress of foreign competition, to adjustments necessitated and characteristics developed, indeed, in some measure in consequence of such competition. It is contended that the results have been much the same for the "victorious" rivals in this "war" of commerce, Germany and the United States. They, too, have progressed, in some respects more rapidly than Great Britain, in others less so; but neither their victory nor their progress has made them immune to the same maladies from which she has suffered. Their greatness has made her not less, but greater.

What, then, shall we say of international commerce? Is it war? If so, what shall we say of a war whose forty-year issue

is enormously increased wealth to all the nations concerned, larger population, enlarged power of production, greater well-being? The Thirty Years War left all Germany so exhausted that she did not recover for generations. The contrast is striking, to say no more. Is an athletic contest, which brings increased strength and vigor to all the contestants, war? To be sure, only one can win, and the struggle for victory ordinarily dwarfs other considerations. But the issue is not the dominance of the defeated party by the victor; and the substantial result of rational athletics is gain to all concerned. Just so in foreign trade. International commercial competition is not war, but rivalry in service, and intelligently conducted for economic ends it brings gain to all concerned. The idea that commerce is war springs from nothing inherent in the economic relations and interests of modern states; it is flatly in contradiction of those interests.

The idea grows from a political root; its eradication is likely to be difficult in the extreme. Two ideals a nation may set before itself. One is the well-being of its citizens—not merely their material welfare and comfort, but their intelligence, their morality, their happiness, their nobility. Some such ideal the minor nations of northwestern Europe have necessarily adopted. Some such ideal, we may without boasting assert, has recently been emerging gradually into consciousness in the United States and other first-class powers as the democratic movement has painfully made headway. Such an ideal is perfectly compatible with the utmost growth and prosperity of other states. In their progress they make social experiments by which all others may profit. To a state so inspired, foreign commerce is a means of better material living, wider knowledge, broader coöperation, fuller life.

But on the other hand, a nation may worship the god of power. It may state its ambition, vaguely perhaps but none the less really, in terms of comparative national might, not military alone, but economic, political, cultural. This ideal has filled the vision of kings and princes; at times it has snatched

up whole peoples in wild delirium of conquest and imperialism. It is subtle, cunning, cruel. Actually a thing of feeling, it knows how to clothe itself in all the panoply of thought. It deceives even trained thinkers, who gravely and honestly discuss the economic well-being of their own people or even the welfare of humanity, when in reality their deepest-lying motive is national aggrandizement. When this ideal stalks abroad in its nakedness, we denounce it as militarism; but when it wraps itself cunningly in a smooth covering of biological analogies and economic half-truths, we admire it as a wonderful scientific theory. And it is the bitterest foe to the ideal of well-being; for it means inevitably struggle for dominance, and ultimately war.

To a nation filled with such an ideal, commerce, like every other international activity, is war. Commerce means wealth; wealth, power; power, dominance. Or in another sequence, commerce, wealth, taxes, battleships, commerce—and so on in endless spiral, with inevitable conflict as the various spirals widen. To a nation so minded no reply seems possible, save in its own language, for it understands no other. But force effects no cure. Rather it tends to confirm the victim in his delusion. Only the slow process of a wiser education can ultimately bring such a nation to a more social, more cosmopolitan view of its task.

But finally, whence arises an ideal so pernicious in its effects on national thought, so monstrous in its effect on national conduct? Admit its historical justification—why does it not die with the dawning of the new day on which we are entered? No short and simple answer is possible. But this much may be said. It is less the external relations of states than the internal relations of classes within the state that keep alive to-day the ideal of power as opposed to well-being. In the deep-lying, sometimes vaguely perceived interests of economic and social groups, there lie unfailing springs of feeling and thought. Every hungry capitalist with some fresh railroad or mining concession to wring from a weak power in face of rival for-

eign capitalists becomes an honest and effective advocate of a strong navy and a spirited foreign policy. Every selfish holder of economic, political or social privilege threatened by the restless questionings of a rising democracy exalts the idea of national unity, bewails the dangers of class struggle, compares his country with others to the inevitable disadvantage of the others. The country, the institutions of our fathers—shall we not preserve intact the heritage as it was handed down to us, standing as a man against spoilers without and disturbers within? Intrenched privilege stands stubbornly on the concept of national solidarity and power. At the first blast of the trumpet internal strife ceases, existing institutions and practices are safe for the time being. The British government lays on the shelf its program of social reform, Lloyd George becomes Minister of Munitions, Sir Edward Carson enters the cabinet, and Mrs. Pankhurst speaks at recruiting meetings. Thus does the spirit of national solidarity and strength operate in times of external crisis. In times of peace, when the bloodless battles of economic, political and social readjustment are being waged, it works only less dramatically, not less really, subtly defending things as they are, good, bad and indifferent alike. Would a people, then, avoid this fatal illusion of power? Let it set its own house in order, forgetting not the words of the ancient prophet, "What doth the Lord require of thee but to do justly, and to love mercy, and to walk humbly with thy God."